

THE USE OF BOND PROCEEDS TO FUND TRANSPORTATION PROJECTS

BRIEFING PAPER

Prepared for the
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PURPOSE:

The Department of Transportation, the Office of the State Treasurer, and Seattle-Northwest Securities will present to the Transportation Commission background information on the use of bond proceeds to fund transportation projects.

This agenda item is for informational purposes only. No action to be taken.

BACKGROUND:

As part of the WSDOT budget development process, the Commission makes certain assumptions regarding the amount of bond sales necessary to fund the Department's capital program. In addition, one of the powers, functions, and duties of the Commission is to approve the sale of all bonds authorized by the Legislature for capital construction of state highways (RCW 47.01.071(7)). The Commission is also permitted to delegate any of its powers to the Secretary of Transportation whenever it deems it desirable for the efficient administration of the Department (RCW 47.01.071 (9)).

DISCUSSION:

The Department's 2005-2007 budget proposal includes several assumptions about proposed bond sales during the next biennium and 10-year plan. Commissioners have raised several questions about the historical and planned use of bond proceeds to fund transportation projects, including the legal requirements. These questions are timely given the recent increase in the use of bond proceeds to fund WSDOT's capital construction program since the passage of Referendum 49 in 1998 and the Transportation 2003 Funding Package. Additionally, if the Regional Transportation Investment District is formed some time in the future, bond proceeds will be used to fund many of the projects in that plan.

To answer these questions, topics that will be covered will include the reasons why bond proceeds are used to fund transportation projects, the different types of bonds that are sold, the process for selling bonds, debt service payment requirements, the role of the State Treasurer's Office, state bond ratings, and interest rates.

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